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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 001696

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SUBJECT: AMBASSADOR'S INTRODUCTORY CALL WITH NEW DEFENSE
MINISTER

Classified By: ANNE W. PATTERSON, FOR REASONS 1.4 (B)(D)

¶1. (C) Summary: During an April 21 introductory call on the Defense Minister Ahmed Mukhtar, Ambassador raised Coalition Support Funds (CSF), the need for a formal agreement governing the use of Pakistan's Airspace, consideration of a Status of Forces Agreement (SOFA), the F-16 payment schedule. End Summary.

¶2. (C) Ambassador, the U.S. Defense Representative to Pakistan, Major General Helmly, and Pol-Mil Officer met with Defense Minister Mukhtar and MOD Additional Secretary, Rear Admiral Tanveer Faiz, to discuss a range of defense issues. The Ambassador said that the U.S. was excited about working with the new Pakistani government and saw it as an opportunity to refocus our strategic relationship. She described our robust defense relationship and noted that the U.S. reimburses Pakistan's military operations along its western border at a rate of \$1 billion annually, provided \$300 million in Foreign Military Financing (FMF) per year, and was seeking to provide an additional \$200 million of FMF in 2009 for the Frontier Corps. She noted that this assistance reflected the extent of our shared strategic interests. Mukhtar thanked the Ambassador and told her that the government would like to create a new perception about Pakistan and its people. Mukhtar noted with satisfaction that there had not been any suicide attacks in Pakistan since the government was formed on March 31st. Mukhtar said that the new government wanted good relations with the United States.

¶3. (C) Mukhtar asked about the timing of Coalition Support Funds (CSF) reimbursements. Ambassador responded that we were processing claims for Jan/Feb 08 and that Central Command (CENTCOM) was currently reviewing the July - November 2007 claim for \$285 million. She advised that we needed to sit down and review the CSF process with him so that he could see what we can reimburse. Mukhtar asked that the payments be processed quickly noting that fuel subsidies were creating difficulties for the government. He said the new government was in a honeymoon period but that this was unlikely to last more than a few months as people were very tired of the electricity shortages.

¶4. (C) General Helmly told Mukhtar that the U.S. had provided \$5.6 billion in reimbursements since 2002. He said that when pending claims were added the total reimbursed would likely rise to \$6.1 billion, which according to documentation provided by Pakistan's Joint Staff means the

U.S. will have reimbursed 90% of the Army's costs in the Federally Administered Tribal Areas (FATA) since 2002. Mukhtar acknowledged U.S. contributions to Pakistan's operations and noted that we needed to work together in the FATA. He pledged to do everything possible to achieve success in the tribal regions and said we will be partners in this. The Ambassador said the U.S. understands and appreciates the sacrifices made by the Pakistani military.

¶15. (C) Ambassador said that while our defense ties were strong there were several issues that required immediate attention. She described the problems associated with new requirements for U.S. use of Pakistan's Airspace (Boulevard). She told Mukhtar that the U.S. had been advised it would need to provide ten days advance notice for transit of armed aircraft through the Boulevard, but the Ambassador told him it would be impossible to do this. General Helmly added that a formal agreement was needed to codify existing procedures. Rear Admiral Faiz pointed out that the U.S. was asking for blanket approval for transit through Pakistani airspace. He said the Pakistanis would need assistance in establishing formal procedures because they lack the expertise and asked that General Helmly meet with the Joint Staff's Major General Qassim. General Helmly replied that these discussions were underway. Mukhtar said that he would try and expedite a solution to this problem.

¶16. (C) Ambassador said that there was an urgent need to sit down with senior Pakistani defense and military officials to develop a plan on how to allocate future FMF so that it supports our mutual objectives. She noted Pakistan's substantial out year commitments for defense procurements and expressed concern over the future of the F-16 program. The

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Ambassador noted that the Finance Minister had expressed concern to her about the planned defense procurements in the out years. Indeed, with regard to the F-16 case, Air Chief Marshall Tanvir has informed the U.S. that it would be difficult to make the upcoming June 15 payment on the Mid-Life Update case.

¶17. (C) The Ambassador described the problems associated with customs fees for equipment provided under DoD's Section 1206 authority. These items are being taxed by the government of Pakistan despite the fact that their ultimate end user is the Pakistani military or civil armed forces. The latest shipment had been stuck at the port in Karachi for a month. Mukhtar said he would look into it but thought these issues could be easily fixed. The Ambassador agreed that it was a minor issue but that, if not fixed soon, it would delay the onset of U.S. - provided training for the Frontier Corps.

¶18. (C) Ambassador recounted her conversations with Prime Minister Gillani and Pakistan People's Party leader Zardari regarding reports of a new South Waziristan peace agreement with the militants. The 2006 agreement promised much but ended in failure because the government did not enforce the terms of the deal. Mukhtar responded that the new government was in a better position to enforce an agreement and noted the recent success against militants in Swat as evidence that the circumstances had changed. He said that he expected cross border attacks to decline once the truce was signed and that the government had to take the people in the region into its confidence. The Ambassador responded that we have confidence in Awami National Party leader Asfandiyar Wali Khan and the new government in the North West Frontier Province but in 2006 cross border attacks actually increased after the accord was signed.

¶19. (C) Ambassador explained that a Status of Forces Agreement (SOFA) is a routine agreement that the U.S. has in place with most of its allies. General Helmly explained that one of the benefits of a SOFA is that it provides the basis for explaining U.S. - Pakistani defense cooperation during

times of political transition.

¶10. (C) Mukhtar asked about the status of the legislation creating Reconstruction Opportunity Zones (ROZ's). He asked that the ROZ's be expedited because the infrastructure in the FATA is weak. Ambassador said that the ROZ's were a critical part of our strategy in the FATA and that the legislation had been introduced in the Senate and was being negotiated in the House. She acknowledged that the current bill was not ideal but it was important to pass legislation now as it could always be improved upon at a later date. Mukhtar asked whether the legislation applied to Balochistan noting that it was important to expand outside of Peshawar to provide alternatives to militancy. Ambassador said that the initial focus would be on Peshawar, but that the ROZ's would include the entire Afghan - Pakistan border region.

¶11. (C) Mukhtar agreed to continue discussions with Major General Helmly. Ambassador invited Mukhtar to visit the U.S. for consultations with Secretary Gates at the earliest possible time. Mukhtar responded that he would do so and added that Prime Minister Gillani had received an invitation to visit from the President.

PATTERSON